October 25, 1983
JCX-34-83

Increase in Public Debt Limit (H.J. Res. 308)

(Scheduled for consideration by the Committee on Finance on Tuesday, October 25, 1983)

Present Law

The present permanent limit on the public debt is $1,389 billion, which was enacted on May 26, 1983, as Public Law 98-34. This limit was specified in the budget resolution for fiscal years 1984, 1985 and 1986 as the appropriate level through fiscal year 1983, i.e., through September 30, 1983.

Proposed Change (H.J. Res. 308)

H.J. Res. 308 provided for an increase of $225.6 billion in the permanent public debt limit to $1,614.6 billion, as the appropriate level on and after October 1, 1983. This resolution was deemed passed by the House of Representatives on June 27, 1983 (under House Rule XLIX) following approval by both the House and Senate of the budget resolution for fiscal years 1984, 1985 and 1986.

Comment

At the close of business on October 21, 1983, the outstanding debt subject to limit was $1,382.5 billion, $6.5 billion below the statutory maximum. The operating cash balance at the same time was $28.3 billion, $8.3 billion above the $20 billion operating cash balance assumed for the purpose of estimating future debt limit requirements. The cash balance on October 20 was 40 percent of the average monthly budget outlays, $71.6 billion, for fiscal year 1984.

The Secretary of the Treasury has estimated that on November 1, the outstanding debt would rise to $1,397 billion, $8 billion above the present level as a result of investing $13 billion of social security trust fund anticipated November revenues in U.S. debt. The Treasury Department is obligated to invest $13 billion of anticipated social security trust fund revenues for November in U.S. debt; this requirement was enacted in the Social Security Amendments of 1983 earlier this year.

Treasury Department plans for mid-quarter financing will be announced by the Secretary on October 26. The plans include the auction on November 1, 2, 3 of $16 billion of debt in 3, 10 and 30 year maturity classes, of which $10 billion will be new financing. The Secretary of the Treasury has stated that the auction would be cancelled because he

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cannot conduct the auction without assurance that sufficient authority will exist under the public debt limit to issue the debt. Such a delay in the auction and issue of the quarterly financing would increase the interest yield on the issues by an estimated one-eighth of one percent and would increase interest outlays by $250 million in fiscal year 1984.

When the outstanding debt limit equals the permanent debt ceiling, the Treasury Department is able to refund existing obligations, but it may not issue new debt, including the investment of tax revenue earmarked for specific trust funds. Expenditures could be made only to the extent that cash receipts and the operating cash balance would be available.

Total outlays in this fiscal year, under the budget resolution, were projected at $858.9 billion. Revenues were estimated at $679.6 billion, including a recommended increase of $12 billion for fiscal year 1984. The resulting budget deficit would be $179.3 billion; new Federal credit activity would account for the difference between the deficit and the increased debt limit.